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In the
Supreme Court of the United States

L-3 COMMUNICATIONS CORP. AND
LOCKHEED MARTIN CORP.,
Petitioners

v.

HONEYWELL INTERNATIONAL INC. AND
HONEYWELL INTELLECTUAL PROPERTIES INC.,
Respondents

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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Now that this Court has granted a writ of certiorari in *Microsoft Corp. v. i4i Limited Partnership*, No. 10-290 (Nov. 29, 2010), the Court should, at a minimum, hold this petition pending its determination in *Microsoft* of the correct burden of proof. But the procedural burden-of-proof question should not obscure the importance of the more fundamental obviousness question. As the government explains, the Federal Circuit "erred in holding that, because the prior art did not disclose every element of claim 2 of the '914 patent, claim 2 was not invalid on obviousness grounds." U.S. Br. 8. "Truncating the analysis in this manner was erroneous" because, under this Court's precedents, a comparison of the prior art and the claimed invention is "just the beginning of the inquiry," not the end. *Id.* at 9. And the adoption of such a rule would be "sufficiently important to warrant review by this Court." *Id.* at 11.

The government offers a single reason to deny review: that *other* panels of the Federal Circuit appear not to have committed the same legal error in *other* cases. There are an increasing number of Federal Circuit decisions going both ways on this issue, however, and the Federal Circuit has denied *en banc* review. Especially considering that Congress granted the Federal Circuit exclusive jurisdiction for the very purpose of promoting uniformity, the Federal Circuit's inconsistency is an *additional* reason for this Court's attention, through either plenary review or summary reversal. And Honeywell's opposition relies on statements in the decision and at oral argument that, in context, only underscore that this case squarely presents and

turns on the obviousness question presented in the petition.

I. THE FEDERAL CIRCUIT'S DEPARTURE FROM *KSR* WARRANTS REVIEW.

1. No one appears to dispute that, if the Federal Circuit meant what it said, its decision conflicts with decisions of this Court on an important question of law. The Federal Circuit held that the asserted patent claim was not obvious "[g]iven the failure to prove that the cited references disclose" one of the claim elements. Pet. App. 18; *see also* U.S. Br. 8-9. That bright-line rule—that each element of a claim must have been disclosed in a prior-art reference for the claim to be obvious—conflicts with this Court's holding in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), and other cases stretching back over a century, *see, e.g.*, *Hollister v. Benedict & Burnham Manufacturing Co.*, 113 U.S. 59 (1885). Pet. 14-18. Under those decisions, a court should *not* limit itself to "seek[ing] out precise teachings . . . in the prior art," or any other bright-line inquiry. *KSR*, 550 U.S. at 418. Instead, courts must undertake an "expansive and flexible" inquiry that "take[s] account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 415, 418.

That conflict warrants this Court's review because the expansive obviousness inquiry required by this Court's precedents is essential to the proper functioning of the patent system: "Granting patent protection to advances" over the prior art "that would occur in the ordinary course without real innovation retards" the very progress the patent system is supposed to promote. *KSR*, 550 U.S. at 419.

Moreover, Honeywell does not appear to dispute that the supposedly missing element is really the *combination* of two elements: a filter capable of splitting the red color band and the emission of red light. *See* Pet. 17-18. Requiring an express disclosure of a *combination* of prior-art elements is even more extreme than requiring an express teaching, suggestion, or motivation to combine them—the test this Court rejected in *KSR*. The panel's decision to take one step backwards, rather than follow *KSR*, underscores the importance of its error. Pet. 18.

2. Unable to defend the Federal Circuit's holding, Honeywell attempts to recharacterize it by taking statements out of context. Read in context, those statements only underscore the indefensibility of the court's actual holding.

a. Honeywell repeatedly claims that the Federal Circuit held there was "'no evidence' that the claim was obvious." Br. in Opp. 1; *see also id.* at 16-17, 21-22. In reality, the court concluded there was no evidence to satisfy the Federal Circuit's profoundly misguided test of obviousness—*i.e.*, "no evidence that either Boehm or Verney discloses perceptible red light," which is to say, no evidence that the prior art references themselves disclosed a claim element. Pet. App. 14; *see also id.* at 16, 18. When quoted in full, therefore, Honeywell's proffered passages confirm that the Federal Circuit limited its analysis to whether the prior art disclosed each claim element.

Similarly misplaced is Honeywell's repeated assertion that this case turns on claim construction. *E.g.*, Br. in Opp. 1-2. The Federal Circuit concluded

that whether the prior art references disclosed the relevant claim element turned on the construction of a claim term, and that under the correct construction, they did not disclose the element because they did not disclose filtering perceptible red light. Pet. App. 13-18. But the Federal Circuit's treatment of that conclusion as being dispositive only shows that, as the government emphasizes, "[t]he court's sole stated reason for concluding that claim 2 was not obvious was that the prior art did not disclose every element in the claim." U.S. Br. 9.[1]

Notwithstanding Honeywell's contrary suggestion (Br. in Opp. 2), L-3 and the United States argued, and the CFC found, that "even if this Court assumes that all of the prior art is missing one limitation, the invention is still obvious" in light of the knowledge and creativity of a person of ordinary skill in the art. L-3 C.A. Br. 48; *see also id.* at 26, 42; U.S. Br. 19, 32; Pet. App. 157-65. The Federal Circuit's failure to reach that issue conclusively demonstrates that its decision rests solely (and erroneously) on the absence of a claim element in the prior art.

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[1] In addition to being irrelevant, Honeywell's suggestion that the CFC adopted defendants' proposed claim construction is incorrect. Br. in Opp. 9. Defendants argued that the accused products did not infringe because they did not emit light that was perceptible as being red. C.A. App. 212-13. The CFC determined, however, that the "'actual color that the pilot sees is not part of the patent.'" C.A. App. 214 (quoting Honeywell's expert); Pet. App. 30 (Mayer, J., dissenting). On appeal, Honeywell changed position and convinced the Federal Circuit that the patent claim requires emission of a perceptible red color. Pet. App. 14; C.A. Reply Br. 5-7. That is, however, irrelevant to the question presented.

Honeywell disputes whether the CFC rendered findings of fact on the question whether the claim was obvious even if each of the elements was not disclosed in the prior art. Br. in Opp. 17-18. The CFC expressly did so. Pet. App. 157-60. But even if it had not, that would hardly justify the Federal Circuit's failure to reach that question and either resolve it or remand for consideration of it. While Honeywell contends that the Federal Circuit undertook a full obviousness analysis, it clearly did not. Indeed, Honeywell can cite only a background passage in the Federal Circuit's statement of the case concerning some of the relevant factors. Br. in Opp. 21 (citing Pet. App. 4-5). The court's recitation of some background factual materials hardly alters its erroneous legal standard.

b. Indeed, while Honeywell argues that the Federal Circuit's decision is fact-bound, Honeywell can do so only by augmenting the decision with factual rationales that the Federal Circuit did *not* endorse and the CFC and the dissent emphatically rejected. Honeywell's proffers of what amount to alternative factual grounds for affirmance in no way alter the Federal Circuit's important legal error. And Honeywell's factual arguments are wrong in any event.

i. Honeywell argues there is a "complete absence of evidence" that it would have been obvious to use existing technology to filter perceptible red light. Br. in Opp. 2. As the government explains, however, there is powerful evidence that, once the military decided to use both perceptible red light and night-vision technology in the cockpit, it was obvious to a person skilled in the art to use existing complementary filtering technology to accomplish

that result. U.S. Br. 9-10; Pet. App. 31-33 (Mayer, J., dissenting). Prior art references taught the use of complementary filtering at various points along the color spectrum. *See* Pet. App. 160-65. One prior art reference, the German Patent, provided a recipe for applying complementary filtering *anywhere* along the color spectrum. *Id.* at 31, 157. And substantial expert testimony confirms that it was obvious and easy to use that technology to filter perceptible red light. *Id.* at 157-59.

Honeywell's assertion that defendants could not point to any evidence in response to a question at oral argument is incorrect and it actually underlines the panel's undue focus on the prior art. Br. in Opp. 16. In discussing a prior-art reference, the court asked whether there was any evidence that "*this prior art* demonstrates perceptible red light." Oral Argument at 18:31 (No. 08-5181), *available at* http://oralarguments.cafc.uscourts.gov/Audiomp3/2008-5181.mp3. Counsel responded that there was such evidence, and that expert testimony also demonstrated that adjusting prior-art technology to filter perceptible red light was well within the knowledge of a person skilled in the art. *Id.* at 18:41-19:19; *see also id.* at 19:20-20:55.[2] The court acknowledged that counsel had cited evidence that, even if the prior-art reference did not disclose the claim element, the claim was still obvious in light of

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[2] Nor did the government's expert testify that the patented invention was a "unique idea." Br. in Opp. 7. The expert testified that the *original patent application* had narrower claims that may have reflected a unique idea, C.A. App. 501603-06, but that the actual claim 2, which Honeywell broadened years later, was obvious. C.A. App. 623124-30, 623208-13.

the knowledge of a person of ordinary skill in the art. *Id.* at 19:20-27.

Unlike Honeywell, the Federal Circuit did not assert there was a "complete absence of evidence" (Br. in Opp. 2) that it would have been obvious to use existing filtering technology to filter perceptible red light. Instead, the Federal Circuit found there was no evidence to satisfy its erroneous legal test, *i.e.*, no disclosure of the claim element in the prior art.

ii. The same flaws pervade Honeywell's argument that the patented invention must have been non-obvious because the military had always wanted red in the cockpit, but had not used it with night-vision technology before the patent application. Br. in Opp. 3-7, 21. Based on substantial record evidence, the CFC rejected that factual assertion, the dissent agreed with the CFC, and the majority did not even address it. Pet. App. 31-33, 168-72, 178-79.

The CFC found and the dissent agreed that the military's requirements, not any lack of knowledge, explained the military's previous decision not to use red light in night-vision-equipped cockpits. Pet. App. 31-33, 159-65, 168-72, 178-79. Honeywell notes that the CFC found that fixed-wing pilots always would have preferred to have red in the cockpit. Br. in Opp. 19 n.9. But that misses the point. The military has always faced an inherent trade off between light in the cockpit and the quality of night vision: as more spectrums of light are used in the cockpit, the quality of night vision decreases. Pet. 5. The CFC found, and Honeywell does not dispute, that the claimed invention does *not* overcome this trade-off. Pet. App. 172.

The military's preferences changed when fixed-wing pilots began using night vision. Helicopter pilots had preferred to maximize night-vision quality by not using red in the cockpit. Pet. 6; Pet. App. 32-33, 155-56, 171-72. In contrast, fixed-wing pilots preferred to sacrifice night-vision quality in order to use red in the cockpit, in part because, unlike helicopter pilots, they did not fly close to terrain but they did fly at high speeds that required them to react more quickly to alarms. Pet. 6; Pet. App. 171-72. Thus, the military's decision to start using red in night-vision-equipped cockpits in the late 1980s only confirms this Court's observation that "it often may be the case that market demand, rather than scientific literature, will drive design trends." *KSR*, 550 U.S. at 419; *see also* Michael B. Abramowicz & John F. Duffy, *The Inducement Standard of Patentability*, 120 Yale Law Journal, (forthcoming 2011), *available at* http://ssrn.com/abstract=1694883 (citing this case as an example of that situation).

3. The government nonetheless recommends that this Court deny review because other panels of the Federal Circuit have not committed the same legal error. U.S. Br. 10-13. The decision below is not, however, an outlier. A growing number of Federal Circuit decisions have adopted different positions on this issue, the Federal Circuit has denied *en banc* review, and this Court's guidance is therefore needed. Pet. 20-24.

a. Like the decision below, *Kinetic Concepts, Inc. v. Blue Sky Medical Group, Inc.*, 554 F.3d 1010 (Fed. Cir. 2009), and *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331 (Fed. Cir. 2009), held that patent claims were not obvious because the prior art did not disclose a particular claim element. Pet. 20-21. The

government notes that *Kinetic* and *Callaway* deferred to jury verdicts. U.S. Br. 12-13. But obviousness is a question of law, *KSR*, 550 U.S. at 427, and the Federal Circuit will not (and can not) uphold a jury verdict on a legally erroneous basis, *see Amgen Inc. v. F. Hoffmann-La Roche, Ltd.*, 580 F.3d 1340, 1368 (Fed. Cir. 2009). Thus, the procedural posture of those cases provides no basis for distinguishing them. And the strong dissent in *Abbott Laboratories v. Sandoz*, 544 F.3d 1341, 1377 (Fed. Cir. 2008) (Gajarsa, J., dissenting), specifically confirms that different Federal Circuit panels have adopted different views on this issue.[3]

Divergence within Federal Circuit is hardly a reason to *deny* review. In *KSR*, this Court acknowledged that the Federal Circuit was not always following a rigid teaching, suggestion, or motivation test. *See* 550 U.S. at 421-22. But some panels were, and that made the issue sufficiently important for this Court's review. Because Congress gave the Federal Circuit exclusive nationwide jurisdiction over appeals in patent cases, a lack of uniformity within the Federal Circuit is at least as worthy of this Court's review as a circuit split in other areas of law. In the face of a circuit split, a litigant can at least determine the law of each circuit. But ongoing discord within the Federal

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[3] Honeywell's contention that the defendants in *Kinetic* and *Callaway* argued only that all claim elements were found in the prior art is both irrelevant to the holdings in those cases and incorrect. *See* Br. in Opp. 24-25. The defendants also relied on the knowledge and creativity of persons skilled in the art. *E.g.*, Medela Opening Br., *Kinetic Concepts*, 2007 WL 3388837, at *49 (relying on "an obvious modification of . . . the prior art systems").

Circuit, following the denial of *en banc* review, subjects *all* litigants and trial courts, as well as patent applicants and the Patent and Trademark Office, to uncertainty concerning the legal principles that will ultimately be applied on appeal. That defeats the "doctrinal stability" Congress sought to provide by creating the Federal Circuit. *See* S. Rep. No. 97-275, at 5-6 (1981).

b. As a frequent litigant with numerous programmatic interests, the United States has its own priorities for when to request this Court's review. As the government's potential indemnitors, however, petitioners have every right to rely on *this Court's* certiorari standards. And in part because the government's priorities are not always the same as this Court's priorities, the Court has granted review in other cases where, as here, the government emphasized the erroneousness and potential importance of an adverse court of appeals ruling, yet recommended denial of a co-party's certiorari petition. *See, e.g., Coeur Alaska, Inc. v. Se. Alaska Conservation Council*, 129 S. Ct. 2458 (2009); *Entergy Corp. v. Riverkeeper, Inc.*, 129 S. Ct. 1498 (2009). The Court should do so again here.

This issue is especially deserving of this Court's review because of the Federal Circuit's disregard of decisions like *KSR* and *Hollister*. Whatever the government's priorities, ensuring that lower courts do not render this Court's clarification of the law in a case like *KSR* an empty gesture is an important priority for this Court. *See* S. Ct. R. 10. Indeed, the fact that panels of the Federal Circuit have taken a step backwards after *KSR*, instead of embracing it, is all the more reason for this Court to either grant or summarily reverse the decision below.

II. ALTERNATIVELY, THIS COURT SHOULD HOLD THE PETITION FOR *MICROSOFT*.

Alternatively, the Court should hold the petition for *Microsoft*. Honeywell's contention that the burden of proof is immaterial because petitioners purportedly presented no evidence of obviousness is wrong for the reasons described above. *See* pp. 3-6, *supra*.

Honeywell's forfeiture argument is equally meritless. As Honeywell notes, defendants challenged the clear-and-convincing standard in the CFC. Br. in Opp. 27. They were not required to repeat that challenge (as appellees) in the Federal Circuit, in part because that clearly would have been futile: by the time they filed their Federal Circuit briefs, that court had already rejected the argument that *KSR* undermined the longstanding clear-and-convincing standard. *See, e.g., z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354-55 (Fed. Cir. 2007), *reh'g denied*, No. 2006-1638, 2008 U.S. App. LEXIS 3932 (Fed. Cir. Jan. 30, 2008). Moreover, the Federal Circuit expressly tied its holding and disposition in this case to the clear-and-convincing standard. Pet. App. 18. That shows both that the Federal Circuit passed upon the burden-of-proof question and that the question is either antecedent to, or an argument in support of, the overarching obviousness issue. For all of those reasons, the issue is properly before this Court. Pet. 35.

* * * * *

This Court should grant plenary review or summarily reverse on the first question presented. Alternatively, the Court should hold the petition for

Microsoft and then dispose of it in light of the decision in that case.

Respectfully submitted,

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